



**RCA  
CITY OF AUSTIN  
RECOMMENDATION FOR COUNCIL ACTION**

**AGENDA ITEM NO.: 9  
AGENDA DATE: Thu 10/06/2005  
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**SUBJECT:** Approve the negotiation and execution of a loan to Ava Cox and David Cisneros d.b.a. Cisco's Bakery, Austin TX, in compliance with applicable federal requirements, including Code of Federal Regulations Title 24 Section 85.40 performance goals, under the Neighborhood Commercial Management Loan Program in an amount not to exceed \$60,000 to remodel property to expand and improve the business located at 1511 East 6<sup>th</sup> Street; and waiving the commercial financing leveraging program guidelines.

**AMOUNT & SOURCE OF FUNDING:** Funding is available in the Neighborhood Housing and Community Development Department Special Revenue Fund - Section 108, Fiscal Year 2004-2005. The funding is subject to federal environmental review and release.

**FISCAL NOTE:** There is no unanticipated fiscal impact. A fiscal note is not required.

**REQUESTING** Neighborhood Housing      **DIRECTOR'S**  
**DEPARTMENT:** and Community      **AUTHORIZATION:** Paul Hilgers  
Development

**FOR MORE INFORMATION CONTACT:** Paul Hilgers, Director, Neighborhood Housing and Community Development, 974-3108.

**PRIOR COUNCIL ACTION:** N/A

**BOARD AND COMMISSION ACTION:** N/A

**PURCHASING:** N/A

**MBE / WBE:** N/A

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This resolution authorizes the negotiation and execution of a subordinate loan to Cisco's Bakery in an amount not to exceed \$60,000 in Section 108 Loan funds under the Neighborhood Commercial Management Loan Program for remodeling of the property located at 1511 E. 6th Street, Austin, Texas 78702, pending Environmental Review and Fund release by the U.S. Department of Housing and Urban Development.

The purpose of the Neighborhood Commercial Management (NCMP) is to assist in revitalizing blighted and depressed commercial districts by providing financial assistance to eligible small businesses within the City of Austin's incorporated city limits in exchange for job creation and/or retention for low and moderate income individuals. The NCMP loan approval process includes a review and analysis by NHCD staff and by a loan committee composed of bankers, real estate professionals, and community representatives.

Cisco's Bakery has been in existence for over 30 years and is a third generation owned and operated business. Currently, Cisco's bakery employs 4 full time employees and 2 part time employees.



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The terms of the proposed loan will be as follows:

- Project cost is approximately \$66,750.
- A maximum NCMP loan amount of \$60,000 with a fixed interest rate of 3% for a term of fifteen (15) years.
- Waiver of the commercial financing leveraging requirement is requested. This amount equals 50% of the total project cost or \$33,375.
- Waiver of 40% gap financing rule in order to finance 89.9% of the project cost.
- The owner is providing \$6,750 in equity investment.
- The City of Austin loan will be secured by a deed of trust lien subordinate to the commercial financing (the loan will be secured by a first lien if the commercial financing leveraging requirement is waived).
- The owner will provide a personal guaranty of the loan.
- Cisco's Bakery will add a total of 4 jobs, or the equivalent of 2 FTE.
- At last one (1) full-time position or two (2) part-time positions will be made available to low and moderate income wage earners. (1 FTE position for every \$35,000 in NCMP loan funds).

The staff of the Neighborhood Housing and Community development Department recommends approval of this transaction based on the financial strength of the borrower, the owner/guarantor, the economic feasibility of the project and the community impact.

Approval of this loan is consistent with NHCD's 2000-2005 Consolidated Plan. The Consolidated Plan states specifically that NHCD will provide flexible capital in the form of gap financing to businesses in blighted or depressed commercial districts and to create and/or retain jobs for low and moderate income wage earners.

Approving this loan will also further the Department's Mission: "...to provide housing, community, and small business development services to benefit eligible residents so they can have access to livable neighborhoods and increase their opportunities for self-sufficiency."